

Message Text

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PAGE 01 STATE 007770

62

ORIGIN L-03

INFO OCT-01 NEA-05 ISO-00 OS-03 CU-04 AID-20 RSC-01 EUR-06

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DRAFTED BY L/M:HSBURMAN:JP

APPROVED BY A/OS:EMANNINO

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R 141955Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO

UNCLAS STATE 007770

E.O.11652: N/A

TAGS: ASCH, CE

SUBJ: OVERSEAS CHILDREN'S SCHOOL

REF: EMBTEL 3127

COMMENTS ON LANGUAGE OF PROPOSED AMENDMENT TO REVENUE
ACT TRANSMITTED IN REFTEL ARE AS FOLLOWS:

PROPOSED AMENDMENT DOES NOT APPEAR GENERALLY TO BE OF
PROBABLE ASSISTANCE TO ALLEVIATE PROBLEM OF SCHOOL REGARD-
ING TAX STATUS OF NON-LOCAL EMPLOYEES. LANGUAGE OF SUB-
PARAGRAPHS (I) AND (II) APPEARS TO CONFINE STATUTORY
BENEFITS TO EMPLOYMENT WITH GSL OR ACTIVITY CARRIED BY
OR FOR PROJECTS UNDER CONTROL OF OR FOR BENEFIT OF GSL.
TERMS QUOTE STATUTORY CORPORATION OR INSTITUTION
UNQUOTE ARE NOT DEFINED IN LANGUAGE IN REFTEL AND IT IS
UNCERTAIN TO US WHETHER THAT LANGUAGE IS INTENDED TO
PROVIDE AUTHORITY FOR GSL MINISTER TO COVER NON-PROFIT
EDUCATIONAL FACILITIES OPERATING FOR THE BENEFIT OF
PERSONS OR INSTITUTIONS NOT REPEAT NOT RELATED TO GSL.

(B) TERM QUOTE EMOLUMENTS UNQUOTE (PARA (F)) NOT
DEFINED IN REFTEL AND UNCLEAR WHETHER THAT TERM APPLIES
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PAGE 02 STATE 007770

TO ALL EMOLUMENTS OF EMPLOYMENT COVERED BY LANGUAGE OF

PROPOSED STATUTE, OR WHETHER TERM READ TOGETHER WITH FOLLOWING CLAUSE APPLIES ONLY TO EMOLUMENTS AND OTHER INCOME ARISING OUTSIDE SRI.

(C) UNCLEAR TO US WHETHER EDUCATIONAL PERSONNEL (PROFESSIONAL OR OTHER STAFF) WOULD BE CONSIDERED WITHIN CONEXT THIS LAW TO FALL WITHIN CATEGORIES OF PERSONS EXPLICITLY LISTED UNDER PARA (F).

3. DEPARTMENT UNDERSTANDS SPECIAL INTERPRETATIONS HAVE BEEN PERMITTED EMPLOYEES BRITISH SCHOOL WITH REGARD INCOME ACCRUED BUT WITHHELD IN UK AND NOT MADE AVAILABLE TO EMPLOYEES UNTIL CONCLUSION CONTRACT OF EMPLOYMENT, I.E., PORTION OF SALARY PAID LOCALLY AND HENCE TAXABLE BY GSL WITH BALANCE SALARY PAID OUTSIDE COUNTRY OF EMPLOYMENT AND HELD IN ESCROW FOR EMPLOYEE. RATIONALE IS THAT THAT AMOUNT HELD IN ESCROW IS PAYABLE ONLY UPON SATISFACTORY COMPLETION OF CONTRACT OF EMPLOYMENT. DEPARTMENT HAS NO OBJECTION IF COMPARABLE ARRANGEMENTS CAN BE MADE BUT SUCH ARRANGEMENTS SHOULD BE RELIED UPON WITH CAUTION, SINCE IN OUR EXPERIENCE, ARRANGEMENTS OF THAT NATURE DEPEND UPON INTERPRETATIONS PRESENT TAX OFFICIALS AND TEND TO BE SUBJECT TO CHANGE WHICH IS SOME CASES HAS RESULTED IN SUBSTANTIAL FINANCIAL DIFFICULTIES AT SUBSEQUENT PERIOD OF TIME FOR EDUCATIONAL FACILITIES, INCLUDING LIABILITY FOR SUBSTANTIAL UNPAID TAX OBLIGATIONS FOR PRIOR YEARS. RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE007770
Document Source: CORE
Document Unique ID: 00
Drafter: HSBURMAN:JP
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740143/aaaabojh.tel
Line Count: 88
Locator: TEXT ON-LINE
Office: ORIGIN L
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: EMBTEL 3127
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 02 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 OCT 2002 by cunninfx>; APPROVED <19-Nov-2002 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OVERSEAS CHILDREN'S SCHOOL
TAGS: ASCH, CE
To: COLOMBO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005